Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of	)	
	)	
Amendment of the Commission's Rules	)	CC Docket No. 95-115
and Policies to Increase Subscribership	)	
and Usage of the Public Switched Network	)	

REPLY COMMENTS
OF THE
UNITED STATES TELEPHONE ASSOCIATION

The United States Telephone Association (USTA) respectfully submits its reply comments in the above referenced proceeding. USTA is the principal trade association of the exchange carrier industry. USTA's members provide over 98 percent of the exchange carrier-provided access lines in the United States.

As USTA stated in its comments, and the majority of other commenters agree, the FCC should take no action at this time to implement any of its proposals. The record shows that the proposals are not warranted[1] and would cause their own set of serious problems including

[1]USTA, p.2; Alaska Telephone Association (ATA), p. 4; Ameritech, pp. 3,5; Bell Atlantic, p.9; BellSouth, p.2; GTE, pp. 2-6; National Telephone Cooperative Association (NTCA), pp. 9-10; NYNEX, p. 7; Organization for the Protection and Advancement of Small Telephone Companies (OPASTCO), p. 8; Rochester, p. 2; Southwestern Bell, p. 15; TDS, pp. 4,9; U S WEST, p. 2; Competitive Telecommunications Association (Comptel), p.7; LDDS, pp. 2-3; Colorado Public Utility Commission (PUC) Staff, p. 3.

increased uncollectibles, burdensome implementation, and significant ongoing costs.[2] Furthermore, there have been no cost/benefit analyses[3] to justify these changes and the proposals do not address the impact of increased competition on subscribership.[4]

Many commenters described the roles that the Local Exchange Carriers (LECs) and the states have played and are continuing to play as they seek ways to increase and retain telephone subscribership.[5] The examples cited by LECs and, in some instances, by the interexchange and reseller industries, show that without federal mandates, the LECs and the states have most if not all the tools to address the unique characteristics which underlie each state's subscribership environment.[6] In fact, USTA has surveyed its membership regarding the usage of toll restriction and toll blocking. Of the 572 responses received, 544 LECs offer a form of toll

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[2]USTA, pp. 7-9; ATA, p. 3; Ameritech, pp.6-8; AT&T, p. 8; Bell Atlantic, pp.3-4; BellSouth, pp. 3-4; Cincinnati Bell, p.9; GTE, pp. 14, 17, 19, 33-41; Illinois Consolidated Telephone Company (ICTC), p.2; Montana Independent Telecommunications Systems, Inc. (MITS), p. 4; NYNEX, p.5; OPASTCO, p. 8; Pacific and Nevada Bell, 17-18,; Rochester, pp.4-6; TDS, pp.1-2,5; Telephone Electronics Corporation (TEC), pp.4-5; Comptel, p.4; LDDS, p.7; MCI, pp.15, 19-20; Sprint, pp.7, 10.

[3]USTA, p.8; ATA, p.2; Ameritech, pp.3,8; Bell Atlantic, pp.3-5,8; BellSouth, p.3; MITS, p.7; NTCA, pp.8-9; Pacific and Nevada Bell, p.17; Rochester, p.2; TDS, pp.7, 10-11; U S WEST, p.9; Ameritel Pay Phones, Inc., p.4; MCI, p.18.

[4]USTA, p.3; Cincinnati Bell, pp.1,4,9; GTE, pp.11-13; Pacific and Nevada Bell, pp.3, 11; Southwestern, pp.6-7; MCI, pp. 3, 5-6.

[5]ATA, p. 2; Ameritech, p. 5; Bell Atlantic, pp. 4-5 and Appendix; BellSouth, pp. 6-7; Cincinnati Bell, pp. 5-8,10; GTE, pp. 19-22; ICTC, p. 1; Mid-Rivers Telephone Cooperative, p. 3; MITS, p. 4; NTCA, p. 10; NYNEX, p. 7; Pacific and Nevada Bell, pp. 23-27, 30-31; Southwestern Bell, pp. 13, 17-21; TDS, pp. 5, 8-9; Telephone Association of Maine, p. 1; TEC, , p. 3; U S WEST, pp. 6-7; Sprint, p.13; Colorado PUC Staff, pp. 9,16; Florida Public Service Commission, p. 5; Public Utility Law Project of New York (PULP), pp. 15-16.

[6]Earthcall Communications Corp. (ECC), pp. 6-8; MCI, p. 5; Sprint, p. 13; MFS, pp. 1, 4, 6; Time Warner Communications Holdings, Inc., p. 11.

blocking or restriction. These responses were received from LECs ranging in size from BellSouth with over 19 million access lines to Sodtown Telephone company with 83 access lines. Clearly, the LEC industry and the states have taken on the responsibility of keeping customers connected to the public switched network and assisting the customers who find themselves with toll bill financial difficulties.

However, LECs which address the problem of high toll bills through toll restriction or toll blocking do so on a total toll basis, not on a jurisdictional basis. This is accomplished primarily by means of blocking or restricting all calls that begin with 1+ or 0+, with no further breakdown by jurisdiction. As USTA explained in its comments, the costs and administrative burdens associated with jurisdictionally identifying call blocking are significant.[7] It would be a grave injustice to implement such a requirement since the record shows that proposals such as prohibiting disconnection of local service for non-payment of interstate toll could fail as a means to increase subscribership with the additional misfortune of saddling the LECs' responsible bodies of ratepayers with financial liabilities.[8]

Comments raised by some parties in this proceeding present serious concerns to USTA.

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[7]Comments of USTA, p. 6.

[8]Bell Atlantic contrasts the Pennsylvania Chapter 64 program with another program in Virginia. "...[T]he increase in penetration since the advent of Chapter 64 has been slightly less than the national average...On the other hand , the Chapter 64 program is costly...uncollectibles in Pennsylvania are the second highest of any state in the country...and administrative costs have risen by over $24 million per year...Virginia has the highest subscriber penetration in Bell Atlantic and the fifth highest in the United States at 96.9% in March 1995. In addition, subscribership in Virginia has increased over time at a higher rate than the national average...Virginia's program is relatively simple...Administering this program is relatively inexpensive and Bell Atlantic's uncollectible rate in Virginia has not increased significantly." See Appendix pp. A-1, A-2, and A-5.

For example, Consumer Action "...believes that the FCC should takes steps to create a national fund that would award telephone educational grants to public and private groups... through a small surcharge on interstate telephone calls."[9] This proposal is offered without any analysis of why such a large amount is needed and what it is intended to do. More importantly, the efforts that LECs such as Pacific Bell and Southwestern Bell have outlined in their comments show that specific efforts of LECs are better targeted and involve more closely the state and local organizations that can assist in the outreach and education efforts.[10]

The Public Utilities Commission (PUC) of Maine and the Pennsylvania PUC suggest that the FCC require every LEC to implement a multiple balance billing and payment system.[11] This proposal is related to the issue of prohibiting disconnection of local service for non-payment of toll charges. In Pennsylvania, for example, which has such a prohibition, LECs were required to implement a multiple balance bill. Yet in other states, with the same prohibition, the LECs were not required to make such a costly change to their billing and collection systems. This represents an example of the value of the partnership that can and should exist between LECs and the state regulatory body to do what is appropriate in each state. At the very minimum, no one has demonstrated that multiple balance bills, in and of themselves, will increase telephone subscribership. Based on the billing systems most LECs employ, changes to reformat and to breakout payment for services into different baskets requires costly system modifications. Also,

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[9]Comments of Consumer Action, p. 7.

[10]Comments of Pacific and Nevada Bell, pp. 12-14 and Southwestern Bell, p. 13.

[11]Comments of the PUC of Maine, p.3. Also see comments of Pennsylvania PUC, p. 4.

based on the statistics supplied by BellSouth, it is unnecessary to institute such a costly billing change for such a small percentage of accounts particularly when such a billing change has not been proven to be beneficial.[12] Furthermore, there are other LECs which have an even smaller percentage that receive collection action which means that the costliness of billing changes is even more drastic. [13]

State Consumer Advocates of Delaware, Florida, Maine, and Missouri claim that by allowing LECs to deny local service for collection of a long distance bill, "we are creating an enormous advantage for incumbent LECs over potential competitors for billing and collection services."[14] This assertion ignores the fact that it is immaterial whether it is a LEC or a LEC competitor who acts as the billing agent. The benefit of effective and equitable collection procedures is to the general public. Reducing uncollectibles allows the long distance carrier to keep its prices low and these savings are passed on to all consumers. When local service cannot be terminated for nonpayment of toll charges the long distance companies for whom the billing and collection is being performed will be impacted and bad debt expenses will increase.[15]

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[12]In the BellSouth nine state region there are approximately 13.6 million residence customers. Of these accounts, only 272,000 are denied (local service is temporarily interrupted but can be restored within a few hours) each month for non-payment. Of this amount, only 70,305 or .5% of all residence customers are disconnected (local service was disconnected, the account was rendered a final bill, and a new connect service order would be required to reinstate service) due to non-payment. Comments of BellSouth, p. 3.

[13]A company like Mashell Telecom with approximately 2,500 access lines advises USTA that each month only 1% of its accounts are considered past due.

[14]Comments of the State Consumer Advocates of Delaware, Florida, Maine, and Missouri, p. 10.

[15]Comments of Bell Atlantic, pp. 3-4; GTE, pp. 33-41; NYNEX, p. 5, and MCI, p. 15.

The Pennsylvania PUC states that the "FCC should examine whether continued application of the federal subscriber line charge ("SLC") is appropriate for customers who have voluntarily elected to have their access to the toll network restricted."[16] Implementation of this change would necessitate a change to Part 36 to assign 100 percent of the costs of these lines to the intrastate jurisdiction. Since the lines that are toll restricted are still capable of receiving interstate calls such an assignment is not appropriate. Further, this proposal has previously been addressed by the Commission and should not be considered in this docket.[17]

Earthcall Communications Corp. asserts that "...there is no legitimate basis to permit LECs to continue to charge extra fees for touchtone service. Nor is there any economic justification for permitting LECs to charge monthly fees for toll restriction."[18] Touchtone rates are outside the FCC's jurisdiction. Furthermore, current toll rates include implicit universal service support. By virtue of the toll rate structure and by virtue of the action that must be taken to activate toll restriction, one cannot deny that there are costs associated with toll restriction. LECs should be permitted to recover these costs.

MCI suggests that subsidies such as Lifeline and Link-Up should be made available to new entrants.[19] Issues such as this should be addressed in a comprehensive universal service proceeding.

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[16]Comments of the Pennsylvania PUC, p. 10.

[17]MTS and WATS Market Structure, CC Docket No. 78-72, Phase I, Third Report and Order, 93 F.C.C. 2d 241,278 (1983).

[18]Comments of EarthCall Communications Corp., p. 4.

[19]Comments of MCI, p. 3.

The Public Utility Law Project of New York (PULP) maintains that "the Commission should clarify that any blocking of access to interstate services should be selective, so that any denial of access is limited to unpaid carriers or service providers."[20] Such a recommendation is not technically possible. LEC switches cannot deny access to one carrier over another. Additionally, this recommendation would enable toll fraud, permitting those intent on fraud to easily and readily go from carrier to carrier. Furthermore, if a LEC does not perform billing for a particular interexchange carrier, there would be no way to know if access to that carrier should be blocked or not. This recommendation is without merit. LECs should not jeopardize their financial health by permitting customers with payment problems to jump from one interexchange carrier to another. If a customer is unable to pay one carrier, that same customer should not be encouraged to run up charges with another carrier. In the case of disputed charges, it is the common practice to remove the disputed charges from the bill and not make the customer responsible for payment until the dispute has been resolved. If unemployment or inability to manage monthly expenditures is the problem, the customer would be better served to work out a payment arrangement with the LEC and/or the IXC for ultimate payment instead of assuming he/she does not have to pay legitimate charges and being permitted to subscribe to another carrier to perhaps reenact the same scenario.

The Telecommunications Resellers Association (TRA) states that the FCC should require the LECs "to offer prepaid calling card-only billing to subscribers who demonstrate an inability to control the use of long-distance services. In addition, the Commission should require

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[20]Comments of PULP, p. 10.

LECs to offer prepaid calling card-only billing service to resellers of local service so that they can compete for prepaid calling card-only customers."[21] Calling cards are in the marketplace in a variety of forms and from a multiplicity of providers. However, it has not been documented what effect pre-paid cards have had or will have on increasing telephone subscribership.

In conclusion, USTA maintains that the record indicates subscribership levels are high. The survey USTA undertook of its members demonstrates that LECs already assist their customers in managing their toll charges through toll blocking or toll restriction. More importantly, the Commission's proposals have no factual underpinnings to show that they will work to increase and maintain telephone subscribership, are in some cases technically infeasible, and would be extremely expensive to implement. USTA recommends that the FCC not implement any of its proposals at this time.

Respectfully submitted,

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[21]Comments of TRA, p. 5.

CERTIFICATE OF SERVICE

I, Robyn L.J. Davis, do certify that on November 20, 1995 copies of the Reply Comments of the United States Telephone Association were either hand-delivered, or deposited in the U.S. Mail, first-class, postage prepaid to the persons on the attached service list.

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